

Message Text

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PAGE 01 BRASIL 03490 061609Z

42

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 OPIC-03 L-02 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 IGA-01 /093 W

----- 039409

R 061345Z MAY 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9049

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY LONDON

LIMITED OFFICIAL USE BRASILIA 3490

E.O. 11652: N/A

TAGS: BGEN, BR

SUBJECT: REPORTED NATIONALIZATION

REF: STATE 76735

1. ARY PINTO, CHIEF, INTERNATIONAL ADVISORY STAFF, MINISTRY OF FINANCE, HAS CONFIRMED THAT THE GOB RECENTLY REACHED AN OUT-OF-COURT COMPENSATION SETTLEMENT WITH THE BRITISH GOVERNMENT INVOLVING SIX BRITISH ENTERPRISES WHICH WERE TAKEN OVER BY THE GOB ABOUT 30 YEARS AGO. THESE ENTERPRISES WERE EITHER EXPROPRIATED BY THE GOB OR HAD THEIR CON-CESSION CONTRACTS TERMINATED BEFORE THEIR EXPIRATION DATE. THE AMOUNT OF THE SETTLEMENT WAS 4,295,673 BRITISH POUNDS. THE BRITISH FIRMS WERE CLAIMING LITTLE OVER 6,000,000 BRITISH POUNDS PLUS THE RETURN OF SOME LAND IN SAO PAULO (REPORTEDLY WORTH AN ESTIMATED 13,000,000 BRITISH POUNDS AT TODAY'S MARKET PRICES). A NUMBER OF PREVIOUS EFFORTS TO

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PAGE 02 BRASIL 03490 061609Z

NEGOTIATE A SETTLEMENT HAD FAILED.

2. THE SIX FIRMS INVOLVED WERE: THE BRAZILIAN RAILWAY COMPANY, PARA ELECTRIC, ITABIRA IRON ORE COMPANY, MANAUS HARBOR, SAO PAULO RAILWAY, AND CEARA TRAMWAY.

3. COMMENT: PINTO SAID THE GOV DECIDED ON AN OUT-OF-COURT SETTLEMENT IN ORDER TO ELIMINATE AN IRRITANT IN RELATIONS BETWEEN THE TWO COUNTRIES, WHICH IN RECENT YEARS HAD MADE FINANCIAL TRANSACTIONS PARTICULARLY DIFFICULT. HE CLAIMED THAT BRITISH OFFICIALS WOULD BRING UP THESE CLAIMS AT EVERY OPPORTUNITY. EVEN THE ECGD, HE SAID, HAD BEEN DEMANDING LIQUIDATION OF THESE DEBTS AS A CONDITION FOR FAVORABLE EXPORT CREDIT TERMS. PINTO STATED THAT THE SITUATION HAD REACHED THE POINT OF EMBARRASSMENT. THE BRITISH HAD EVIDENTLY SET UP A VERY EFFECTIVE CLAIMS COMMITTEE, WHICH WOULD INEVITABLY MOUNT SOME KIND OF PUBLIC DEMONSTRATION EVERY TIME A BRAZILIAN OFFICIAL VISITED LONDON. SINCE BRAZIL IS TRYING TO DEVELOP CLOSER ECONOMIC TIES WITH THE BRITISH (AS EVIDENCED BY THE APPOINTMENT OF ROBERTO CAMPOS AS AMBASSADOR TO THE COURT OF ST. JAMES) IN AN EFFORT TO DIVERSIFY THE FLOW OF ITS FOREIGN TRADE AND INVESTMENTS, OFFICIALS PROBABLY FELT THEY HAD NO CHOICE BUT TO SETTLE THIS LONG-STANDING PROBLEM NOW.
CRIMMINS

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